Washington, DC—To prevent consumers from being exploited by unfair and excessive fees charged by credit card companies, Congressman Joe Sestak (PA-07) voted for H.R. 627, the Credit Cardholders' Bill of Rights Act of 2009, which passed the House. The Congressman strongly supported the Senate amendment to the bill that implements all provisions within nine months of its enactment. At a time when one-fifth of people with credit-card debt are paying an interest rate of more than 20 percent, and with credit-card issuers having imposed $19 billion in penalty fees on families in 2008, this legislation bars many unreasonable practices that have resulted in a record high credit card debt in United States -- $1 trillion.

The bill stops retroactive interest rate hikes on existing balances, ends double-cycle billing (charging interest twice for balances paid on time), prohibits due-date gimmicks, and strengthens credit card protections for young people. In addition, credit card companies must: provide 45-days' advance notice of interest rate, fees, and finance charges hikes; and fairly apply payments to the highest interest rate balance first.

“I voted a year ago for a Credit Card Holder's Bill of Rights to protect consumers from predatory practices and sudden interest rate hikes,” said Congressman Sestak. “We have already delayed action on this problem too long. While I understand the legitimate concerns raised by the credit card industry regarding time needed to implement changes -- including adopting different business models, restructuring funding mechanisms, reprogramming automated systems and developing new credit products-- I believe implementation in six to nine months is a fair compromise. Such a compromise gives the industry adequate time to prepare for implementation and finally provide consumers with needed protections.

The Pew Charitable Trusts' Safe Credit Cards Project supported the need for this legislation, citing that 100 percent of cards contained policies that the Federal Reserve has determined cause substantial harm to consumers and 93 percent of cards allowed the issuer to raise any interest rate at any time by changing the account agreement.

“Consumers are hurting, and they do not need unfair lending or credit practices compounding the most difficult economic challenges we've seen in generations. These are common sense regulations that simply require credit card companies to, for instance, give fair notice of rate increases and use clear language to explain how consumers can avoid fees. Lenders are entitled to earn a profit, but they must do so by acting transparently and in good faith.”

Specifically, the measure passed today:

Prevents Unfair Increases in Interest Rates and Changes in Terms
Prohibits arbitrary interest rate increases and universal default on existing balances;
Requires a credit card issuer who increases a cardholder's interest rate to periodically review and decrease the rate if indicated by the review;
Prohibits credit card issuers from increasing rates on a cardholder in the first year after a credit card account is opened;
Requires promotional rates to last at least 6 months.

Prohibits Exorbitant and Unnecessary Fees
Prohibits issuers from charging a fee to pay a credit card debt, whether by mail, telephone, or electronic transfer, except for live services to make expedited payments;
Prohibits issuers from charging over-limit fees unless the cardholder elects to allow the issuer to complete over-limit transactions, and also limits over-limit fees on electing cardholders;
Requires penalty fees to be reasonable and proportional to the omission or violation;
Enhances protections against excessive fees on low-credit, high-fee credit cards.

Requires Fairness in Application and Timing of Card Payments
Requires payments in excess of the minimum to be applied first to the credit card balance with the highest rate of interest;
Prohibits issuers from setting early morning deadlines for credit card payments;
Requires credit card statements to be mailed 21 days before the bill is due rather than the current 14.

Protects the Rights of Financially Responsible Credit Card Users
Prohibits interest charges on debt paid on time (double-cycle billing ban);
Prohibits late fees if the card issuer delayed crediting the payment;
Requires that payment at local branches be credited same-day;
Requires credit card companies to consider a consumer's ability to pay when issuing credit cards or increasing credit limits.

Provides Enhanced Disclosures of Card Terms and Conditions
Requires cardholders to be given 45 days notice of interest rate, fee and finance charge increases;
Requires issuers to provide disclosures to consumers upon card renewal when the card terms

have changed;
Requires issuers to provide individual consumer account information and to disclose the period of time and total interest it will take to pay off the card balance if only minimum monthly payments are made;
Requires full disclosure in billing statements of payment due dates and applicable late payment penalties.

Born and raised in Delaware County, former 3-star Admiral Joe Sestak served in the Navy for 31 years and now serves as the Representative from the 7th District of Pennsylvania. He led a series of operational commands at sea, including Commander of an aircraft carrier battle group of 30 U.S. and allied ships with over 15,000 sailors and 100 aircraft that conducted operations in Afghanistan and Iraq. After 9/11, Joe was the first Director of “Deep Blue,” the Navy’s anti-terrorism unit that established strategic and operations policies for the “Global War on Terrorism.” He served as President Clinton’s Director for Defense Policy at the National Security Council in the White House, and holds a Ph.D. in Political Economy and Government from Harvard University. According to the office of the House Historian, Joe is the highest-ranking former military officer ever elected to the U.S. Congress.

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